

For: State Offices

Releasing Real Estate Appraisal Reviews

Approved by: Deputy Administrator, Farm Loan Programs

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1 Overview

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Background

NAD requested that FSA produce the technical appraisal review that was completed on an Agency appraisal. As FSA had done in the past, the request was denied, citing the exemption of the technical and administrative reviews being a predecisional document. The appellant requested a subpoena, which elevated the request to the National Office. The National Office requested advice from OGC about the issue. FSA provided OGC with documentation concerning technical appraisal reviews, the reasoning to deny the request, and the Agency position.

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Purpose

After reviewing the material provided, OGC advised that FSA must release technical appraisal reviews as part of the Agency record if the reviews were completed before a decision. In all cases, the administrative review must be released as part of the Agency record. If a technical appraisal review is completed after a decision, they are not part of the record and would not be releasable except under a subpoena from NAD and only after any information prohibited from disclosure by the Privacy Act or other law is deleted.

This notice provides instructions for:

- completing technical appraisal reviews
 - releasing administrative or technical appraisal reviews.
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Disposal Date

January 1, 2001

Distribution

State Offices

2 Action

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SED Action

Ensure that staff appraisers implement the technical appraisal review changes as follows.

- Implement administrative reviews of appraisals in all direct cases and as required in guaranteed cases. If the administrative review reveals possible technical issues, a technical appraisal review will be performed. Any corrections that are identified during a technical appraisal review must be completed before a credit decision is made.
- Document technical appraisal reviews to not only address any areas of strengths and weaknesses but also to assess how strengths or weaknesses affect the quality of the appraisal, compliance with USPAP, and the final value determination.

Example: A value based on the cost approach is weak because of the age of the improvements and lack of adequate sales of like properties from which to derive market depreciation rates, but the weakness may not be material because the cost approach was not relied on by the appraiser as a basis for making a final value conclusion.

Note: The appraiser could invoke the departure rule to exclude the cost approach and explain why the cost approach was not used because of age of buildings, lack of market-derived depreciation rates, and cost approach not producing a creditable value because of these variables.

- Current policy does not require that a technical appraisal review be completed on every appraisal completed by a contract appraiser. Current procedure, which is incorporated in the proposed handbook, states FSA completes a technical appraisal review:
 - of the first 2 direct loan appraisals completed by a contract appraiser with whom FSA has had no loan appraisal experience within the past 2 FY's
 - at least once per FY for direct loan contract appraisers and guaranteed lenders' appraisers who have previous FSA appraisal experience
 - of a direct or guaranteed loan appraisal when an administrative review detects serious problems

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2 Action (Continued)

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SED Action (Continued)

- of appraisals conducted by both contractors and FSA employees in a random “spot check” method that is established by SED
 - on a more frequent basis if problems have been detected in the scheduled annual and “spot check” reviews
 - upon request of the loan approval official any time before loan approval.
 - Technical appraisal reviews should have documentation as to how the appraisal complies with USPAP. This must be in the form of documentation addressing all USPAP items that are required and how they are addressed in the appraisal. FSA is currently working on a guide that could be used for this purpose. Technical appraisal reviews are more than contractual reviews for compliance.
 - Staff appraisers shall attend appeal hearings to be the expert in USPAP and compliance of the appraisal to USPAP when an appeal involves the real estate appraisal.
 - Require County Offices to immediately inform the appraisal staff when the prehearing teleconference indicates that the appraisal will be the subject of the appeal.
 - Conduct field reviews, if necessary, to validate the findings contained in the appraisal report of the subject property and comparable sales.
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Complying with USPAP

The central significance of the new policy governing release of technical appraisal reviews is that technical appraisal reviews must thoroughly document that any appraisal used in making a decision is completed according to and in compliance with USPAP.

FSA needs to be in a position to defend the Agency appraisal and justify how the appraisal does comply. Some examples of reasons for the Agency to be overturned are:

- the legal description and the maps do not agree
 - mineral acres appraised do not agree with what is actually owned
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2 Action (Continued)

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**Complying with
USPAP
(Continued)**

- unlike comparables are being used
- inadequate documentation concerning the selection of comparables and sources used to collect comparables
- documentation lacking as to the basis for the amount of adjustments.

There is no such thing as a perfect appraisal, but FSA can obtain a supportable and defensible appraisal if staff appraisers ensure that the appraisal complies with USPAP, is logical, is not misleading, and states the basis for adjustment and conclusions are drawn in a way that a reader can follow without difficulty.
